

QUESTION NO. 7

Amendment to the Sales and Use Tax Act of 1955

Assembly Bill No. 611 of the 69th Session

CONDENSATION (ballot question)

Shall the Sales and Use Tax Act of 1955 be amended to impose the sales and use tax upon items purchased by this state or by a local government or local governmental agency for resale to the public by the governmental entity?

Yes ☐
No ☐

EXPLANATION

The proposed amendment to the Sales and Use Tax Act of 1955 would impose the tax upon the gross receipts from the sale of tangible personal property purchased by the state or a local government or local governmental agency for resale to the public.

State law requires that private businesses collect sales taxes on items that they sell to the public. Some state agencies and local governments have shops or restaurants in which they also sell items to the public. These government-owned establishments, often operated in connection with public museums, ski slopes, or beaches, are not required to collect sales taxes from their customers. The proposed amendment to the Sales and Use Tax Act of 1955 would require that the state and local governments collect sales taxes on items that they purchase for resale to the public.

ARGUMENTS FOR PASSAGE

Stores and shops operated by agencies of state or local government often sell items such as posters, magazines, meals, and golf and ski accessories that are also offered for sale in private stores and restaurants. Because these government-run shops do not collect sales taxes from their customers, they enjoy an unfair advantage over their private competitors. This amendment would allow private businesses to compete on equal terms with governmental agencies. In addition, by ending the governmental exemption and thereby requiring governmental shops to collect sales taxes from their customers, the proposed amendment would modestly increase public revenues.

A "Yes" vote would amend the Sales and Use Tax Act of 1955 to impose sales and use tax upon items purchased by this state or by a local government or local governmental agency for resale to the public by the governmental entity.

ARGUMENTS AGAINST PASSAGE

Shops and restaurants operated by state and local governmental agencies provide money to help support public museums, parks, and other places for public recreation. Therefore, it is appropriate that customers in governmental shops not be required to pay taxes on their purchases. In addition, certain private nonprofit agencies that sell items to the public are currently exempt from these taxes. Shops operated by governmental agencies are similar, in some ways, to those nonprofit shops and should therefore be treated the same by continuing to receive the same exemption.

A "No" vote would continue the current practice under the Sales and Use Tax Act of 1955 which prohibits the imposition of a sales and use tax upon items purchased by this state or by a local government or local governmental agency for resale to the public by the governmental entity.

FISCAL NOTE

Financial Impact - No. The proposal to amend the Sales and Use Tax Act of 1955 would provide that state or local governments or governmental agencies must impose sales and use tax upon items sold to the public. The state or local governments or governmental agencies would be collecting the sales tax, not paying it. Approval of this proposal would have no adverse fiscal effect.